

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Caseville	County Huron
Fiscal Year End 02/28/07	Opinion Date 8/8/07	Date Audit Report Submitted to State 8/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None prepared		
Other (Describe) Single Audit Reports	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.		Telephone Number 989-453-3122		
Street Address 7274 Hartley Street		City Pigeon	State MI	Zip 48755
Authorizing CPA Signature		Printed Name Brian Hazard, CPA		License Number 1101014007

VILLAGE OF CASEVILLE, MICHIGAN

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2007

VILLAGE OF CASEVILLE, MICHIGAN

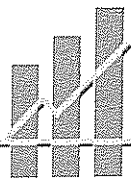
TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
REPORT OF INDEPENDENT AUDITORS	i - ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii - viii
BASIC FINANCIAL STATEMENTS	1
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Fund Types	6 - 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets – Proprietary Funds	9
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to the Financial Statements	12 – 26
REQUIRED SUPPLEMENTAL INFORMATION	27
Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – General Fund	28

VILLAGE OF CASEVILLE, MICHIGAN

**TABLE OF CONTENTS
(CONTINUED)**

	<u>PAGE NUMBER</u>
SUPPLEMENTAL INFORMATION	29
Nonmajor Governmental Funds:	
Combining Balance Sheet	30
Combining Statement of Revenue, Expenditures and Change in Fund Balance	31
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Major Street	32
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Local Street	33
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Police Equipment Fund	34
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Downtown Development Authority	35
Proprietary Fund Types:	
Statement of Revenue and Expenses – Budget and Actual – Sewer Fund	36 - 37
Statement of Revenue and Expenses – Budget and Actual – Water Fund	38 - 39
Schedule of Expenditures of Federal Awards	40
Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41 – 42
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43 – 44
Summary Schedule of Prior Audit Findings	45
Schedule of Findings and Questioned Costs	46



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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Caseville
Caseville, Michigan 48725

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Caseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2007, on our consideration of the Village of Caseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 28, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

Report of Independent Auditors (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caseville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village of Caseville. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 8, 2007

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

INTRODUCTION

This discussion and analysis of the Village of Caseville financial reports provides an overview of the financial activities for the fiscal year ended February 28, 2007. This analysis should be used as a review of the highlights of the Village's activities and its relationship to the financial well being of the Village.

FINANCIAL HIGHLIGHTS

- The assets of the Village Governmental activities exceeded the liabilities at the end of the fiscal year by \$782,463, an increase of \$111,634.
- The assets of the Village Business type activities exceeded the liabilities at the end of the fiscal year by \$5,108,965 a decrease of \$169,653.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is provided as an introduction to the Village's financial statements provided in the audit. The reports are prepared using a reporting structure that all local governments must use. Comparison tables from the past year are provided to illustrate trends and changes in the financial condition of the Village.

The Village financial statements are provided in two forms. The first is the government-wide financial statements that show a compilation or summary of the entire Village's finances. The Statement of Net Assets uses accounting similar to private business accounting and shows all the Village's assets and liabilities. The other government-wide statement is the Statement of Activities. This financial statement shows the change in the Village's net assets during the 2006-07 fiscal year.

The second form of financial statement is the fund financial statements. A fund is a group of activities that is used to maintain management control over specific revenues, activities and objectives. Each fund is considered a separate accounting entity and is used to demonstrate compliance with legal requirements related to financing issues.

The governmental funds are used to account for basically the same activities as reported as governmental activities in the governmental-wide financial statements. The proprietary funds are used to report the same functions presented as the business type activities in the government-wide financial statements.

VILLAGE OF CASEVILLE
Management Discussion and Analysis Statement

The following table shows the net assets of the Village as of February 28, 2007 and 2006:

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current assets	\$ 807,205	\$ 720,645	\$ 530,183	\$ 397,832
Restricted assets	686,186	693,274	628,013	641,880
Capital assets-net	<u>700,131</u>	<u>743,288</u>	<u>10,719,167</u>	<u>8,184,565</u>
Total assets	<u>2,193,522</u>	<u>2,157,207</u>	<u>11,877,363</u>	<u>9,224,277</u>
Current liabilities	78,024	77,168	365,683	177,577
Long-term liabilities	<u>1,333,034</u>	<u>1,409,210</u>	<u>6,402,716</u>	<u>3,768,083</u>
Total liabilities	<u>1,411,058</u>	<u>1,486,378</u>	<u>6,768,399</u>	<u>3,945,660</u>
Net assets:				
Invested in capital assets, net of related debt	(399,869)	(406,712)	4,431,598	4,610,140
Restricted	476,804	464,659	343,335	343,335
Unrestricted	<u>705,527</u>	<u>612,882</u>	<u>334,033</u>	<u>325,142</u>
Total net assets	<u>\$ 782,463</u>	<u>\$ 670,829</u>	<u>\$ 5,108,965</u>	<u>\$ 5,278,617</u>

	Totals	
	2007	2006
Current assets	\$1,337,388	\$1,118,477
Restricted assets	1,314,199	1,335,154
Capital assets-net	<u>11,419,299</u>	<u>8,927,853</u>
Total assets	<u>14,070,888</u>	<u>11,381,485</u>
Current liabilities	443,708	254,745
Long-term liabilities	<u>7,735,751</u>	<u>5,177,293</u>
Total liabilities	<u>8,179,459</u>	<u>5,432,038</u>
Net assets:		
Invested in capital assets, net of related debt	4,031,729	4,203,428
Restricted	820,139	807,994
Unrestricted	<u>1,039,560</u>	<u>938,024</u>
Total net assets	<u>\$5,891,428</u>	<u>\$5,949,445</u>

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

GOVERNMENTAL ACTIVITIES

The Village governmental activities include the activities in several funds. These are the functions of the Village that are supported by taxes, user fees, intergovernmental revenue, and service charges. The activities included are for general government, public safety, highways and public improvements, sanitation, parks and recreation, and interest on long-term debt.

The general revenue of the governmental activities was \$930,402 and exceeded the net expense of \$838,472. This resulted in an increase in net assets of \$91,930.

BUSINESS TYPE ACTIVITIES

The Village business type activities include the water and sewer funds. The Village provides sanitary sewer service to the residents of Caseville using a gravity/pump lagoon system. Water is supplied using a lake intake system with a water filtration plant. Water is provided to two other government entities that pay on the basis of water usage using a rate created by the cost of water production. The Village of Pigeon and sections of Caseville Township are the entities. A new water intake was constructed and financed with a USDA loan. The annual loan payment is split with the Caseville Township and the Village of Pigeon.

The business type activities in total showed a decrease in net assets as a whole from \$5,278,618 to \$5,108,965. The decrease totaled \$169,653 and can be attributed to the expenses of the sewer and water funds being greater than the revenues produced.

The following table shows the Village's change in net assets for the years ended February 28, 2007 and 2006:

	Governmental Activities		Business-Type Activities	
Revenue:	2007	2006	2007	2006
Program revenue:				
Charges for services	\$ 109,453	\$ 114,601	\$ 1,027,549	\$ 981,266
General revenue:				
Property taxes	583,621	515,643		
State shared revenue	159,842	185,728		
Unrestricted investment earnings	32,313	20,736	28,407	19,061
Miscellaneous	112,680	89,609		
Transfers - net	<u>41,946</u>	<u>58,569</u>	<u>(39,038)</u>	<u>(58,569)</u>
Total revenue	<u>1,039,855</u>	<u>984,885</u>	<u>1,016,918</u>	<u>941,758</u>

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

Expenses:

General government	336,511	313,663		
Public safety	257,169	226,923		
Highways and public improvements	216,694	213,542		
Sanitation	92,824	82,726		
Parks and recreation	18,967	23,468		
Unallocated depreciation	15,604	13,365		
Interest on long-term debt	10,156	10,569		
Water			830,905	802,386
Sewer			<u>355,666</u>	<u>363,617</u>
Total expenses	<u>947,925</u>	<u>884,256</u>	<u>1,186,572</u>	<u>1,166,003</u>
Change in net assets	91,930	100,630	(169,653)	(224,245)
Net assets - beginning	670,829	570,199	5,278,618	5,341,455
Prior period adjustment	<u>19,706</u>			<u>161,407</u>
Net assets - ending	<u>\$ 782,463</u>	<u>\$ 670,829</u>	<u>\$ 5,108,965</u>	<u>\$ 5,278,617</u>

Totals

Revenue:	2007	2006
Program revenue:		
Charges for services	\$1,137,003	\$1,095,867
General revenue:		
Property taxes	583,621	515,643
State shared revenue	159,842	185,728
Unrestricted investment earnings	60,720	39,796
Miscellaneous	112,680	89,609
Transfers - net	<u>2,907</u>	<u>-</u>
Total revenue	<u>2,056,773</u>	<u>1,926,643</u>

Expenses:

General government	336,511	313,663
Public safety	257,169	226,923
Highways and public improvements	216,694	213,542
Sanitation	92,824	82,726

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

Parks and recreation	18,967	23,468
Unallocated depreciation	15,604	13,365
Interest on long-term debt	10,156	10,569
Water	830,905	802,386
Sewer	<u>355,666</u>	<u>636,617</u>
Total expenses	2,134,497	2,050,259
Change in net assets	<u>(77,723)</u>	<u>(123,615)</u>
Net assets - beginning	5,949,446	5,911,653
Prior period adjustment	<u>19,706</u>	<u>161,407</u>
Net assets - ending	<u>\$5,891,428</u>	<u>\$5,949,445</u>

BUDGET VARIATIONS

The actual general fund revenues were \$30,316 more than the budgeted revenues and the actual expenditures were \$3,627 more than the budgeted expenditures. The budgeted expenditures versus actual difference was the result of end of period adjustments.

The two proprietary funds, sewer fund and water fund, also had budget variances. The sewer fund showed actual revenues exceeding the budgeted revenue by \$4,936. The actual expense exceeded the budgeted expense by \$79,950. This unfavorable budget variance resulted because depreciation of \$ 117,450 was not budgeted.

The other proprietary fund, the water fund, showed actual revenues less than budgeted amounts by \$109,021. The discrepancy was the result of an overall decrease in water usage and using incorrect usage estimates based on malfunctioning master meters. The actual expense was \$2,955,592 less than budgeted expense mainly because the water intake project that was budgeted was capitalized and not expensed and depreciation of \$161,813 was not budgeted.

CAPITAL ASSET AND DEBT ACTIVITY

The Village as of February 28, 2007 had capital assets, both in its governmental and business-type activities of \$11,393,046 (net of accumulated depreciation). These assets include roads, buildings and land, sewer and water systems, equipment, and other infrastructure used by the Village to provide services to the public.

The new water lake intake came on line late in the fiscal year. The intake will provide pre-filtered water that will come from a buried intake system. The debt on this asset will be paid over a 40-year period and was financed by the USDA Rural Development.

The long-term debt that the Village has incurred, including bonds for water, sewer, DDA Streetscape, Oxbow dredging and the 2006 Water Intake, total \$7,333,000. A detailed itemization can be viewed in Note No. 7 on page 23.

VILLAGE OF CASEVILLE

Management Discussion and Analysis Statement

ECONOMIC FACTORS, CURRENTLY KNOWN FACTS, OR CONDITIONS

There are several economic factors, currently known facts or conditions for the Village of Caseville for the next fiscal year that will effect the financial position.

The water system intake improvement and water tower refurbishment project has been completed with the new debt incurred for payment for the construction. This \$3,284,000 project will be paid over 40 years and the Village's portion will be paid through increased water rates.

Circuit Court action regarding the Interlocal Water agreement with Caseville Township was averted with a settlement pending at the end of the fiscal year. The anticipated amount due from the Township was amended with the discovery of an ongoing malfunctioning master meter.

The state economic condition is one of the worst in the country, but all available buildings in the Village are occupied with businesses as the closeness to major metropolitan areas have resulted in increased tourism. The success of the Cheeseburger in Caseville Festival has had a large positive impact on the local economy and will continue each year.

CONTACT FOR ADDITIONAL INFORMATION

This discussion is meant to be an overview of the Village's financial position for the fiscal year ended February 28, 2007. To view the complete audit or for an explanation of the audit or other financial aspects of the Village operations please contact the Village office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CASEVILLE, MICHIGAN

STATEMENT OF NET ASSETS FEBRUARY 28, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
Cash	\$ 174,797	\$ 757	\$ 175,554
Investments	555,395	59,293	614,688
Accounts receivable	21,092	417,545	438,637
Taxes receivable	48,760	2,422	51,182
Prepaid interest	18,950		18,950
Inventory		38,377	38,377
Internal balances	(11,789)	11,789	-
Restricted assets:			
Investments	476,804	316,297	793,101
Special assessments receivable	209,382	311,716	521,099
Capital assets	1,389,722	14,652,763	16,042,485
Less accumulated depreciation	(689,591)	(3,959,848)	(4,649,439)
Bond issue costs		26,252	26,252
TOTAL ASSETS	<u>2,193,522</u>	<u>11,877,363</u>	<u>14,070,888</u>
<u>LIABILITIES</u>			
Bank overdraft		40,783	40,783
Accrued wages and payroll taxes	16,801	7,955	24,758
Accounts payable	6,223	66,656	72,880
Accrued compensated absences	78,652		78,652
Accrued interest		79,971	79,971
Current portion of long-term debt	55,000	142,000	197,000
Deferred revenue	209,382	311,716	521,099
Lease payable		28,318	28,318
General obligation bonds payable	1,045,000	6,091,000	7,136,000
TOTAL LIABILITIES	<u>1,411,058</u>	<u>6,768,399</u>	<u>8,179,459</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	(399,869)	4,431,598	4,031,729
Restricted for:			
Debt service	110,482	283,500	393,982
Capital projects	365,670	59,835	425,506
Police forfeiture	652		652
Unrestricted	705,527	334,033	1,039,560
TOTAL NET ASSETS	<u>\$ 782,463</u>	<u>\$ 5,108,965</u>	<u>\$ 5,891,428</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED FEBRUARY 28, 2007

	PROGRAM REVENUES			NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 336,511	\$ 15,367			\$ (321,144)
Public safety	257,169	1,927			(255,242)
Highways and public improvements	216,694	2,173			(214,521)
Sanitation	92,824	89,986			(2,838)
Parks and recreation	18,967				(18,967)
Unallocated depreciation	15,604				(15,604)
Interest on long-term debt	10,156				(10,156)
Total governmental activities	947,925	109,453	-	(838,472)	(838,472)
Business-Type Activities:					
Water	830,905	758,880			(72,026)
Sewer	355,666	268,670			(86,996)
Total business-type activities	1,186,572	1,027,549	-	-	(159,021)
Total Government	\$ 2,134,497	\$ 1,137,003	\$ -	(838,472)	(997,493)
General Revenue:					
Property taxes				583,621	583,621
State shared revenues				159,842	159,842
Unrestricted investment earnings				32,313	60,720
Miscellaneous				112,680	112,680
Transfers - net				41,946	2,907
Total general revenues and transfers				930,402	919,770
Change in net assets				91,930	(77,723)
Net assets - beginning				670,829	5,949,446
Prior period adjustment				19,706	19,706
Net assets - ending				\$ 782,463	\$ 5,891,428

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 28, 2007

	<u>GENERAL</u>	OTHER NONMAJOR GOVERNMENTAL <u>FUNDS</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 161,231	\$ 13,376	\$ 174,607
Petty cash	190		190
Investments	152,983	122,447	275,430
Accounts receivable	21,092		21,092
Taxes receivable	8,304	40,456	48,760
Prepaid interest		18,950	18,950
Due from other funds	3,180	3,185	6,365
Restricted assets:			
Investments		476,804	476,804
Special assessments receivable		209,382	209,382
TOTAL ASSETS	<u>\$ 346,980</u>	<u>\$ 884,600</u>	<u>\$ 1,231,580</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Accrued wages and payroll taxes	\$ 14,121	\$ 1,898	\$ 16,019
Accounts payable	5,376	28	5,404
Deferred revenue		209,382	209,382
Due to other funds	3,185	976	4,161
TOTAL LIABILITIES	<u>22,682</u>	<u>212,284</u>	<u>234,966</u>
FUND EQUITY:			
Fund balance:			
Reserved for debt service		110,482	110,482
Reserved for capital projects		365,670	365,670
Reserved for police forfeiture		652	652
Unreserved	324,298	195,511	519,809
TOTAL FUND EQUITY	<u>324,298</u>	<u>672,315</u>	<u>996,613</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 346,980</u>	<u>\$ 884,600</u>	<u>\$ 1,231,580</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
FEBRUARY 28, 2007**

Total governmental fund balances	\$ 996,613
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,389,722 less the accumulated depreciation of \$689,591.	700,131
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Internal service fund is not included in the governmental funds.	264,370
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,100,000)
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Compensated absences liability is not reported in the fund financial statements	(78,652)
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Net assets - governmental activities	<u>\$ 782,463</u>
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VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:			
Property taxes	\$ 409,446	\$ 12,759	\$ 422,206
Current TIFA payments		102,864	102,864
Special assessments		19,232	19,232
Licenses and permits	20,829		20,829
Intergovernmental	89,349	110,670	200,019
Charges for services	87,766		87,766
Fines and forfeits	6,959		6,959
Interest	12,558	30,022	42,580
Administrative charges	65,174		65,174
Miscellaneous	7,283	15,779	23,062
TOTAL REVENUE	<u>699,366</u>	<u>291,327</u>	<u>990,692</u>
EXPENDITURES:			
Current:			
Village council/president/clerk	58,869		58,869
Elections	30		30
Administration	155,384	4,040	159,424
Village hall and grounds	24,227		24,227
Police protection	212,818	3,123	215,941
Breakwall area	11,563		11,563
Department of public works	92,360		92,360
Construction		1,375	1,375
Routine maintenance		71,081	71,081
Winter maintenance		8,286	8,286
Trunkline maintenance		25,362	25,362
Water board	574		574
Leaf and brush	31,252		31,252
Public utilities	35,681		35,681
Sanitation	63,285		63,285
Recreation	7,560		7,560
Planning commission	4,418		4,418
Zoning board of appeals	7,252		7,252
Downtown development authority	69,021	15,984	85,005
Debt service - principal and interest payments		99,569	99,569
TOTAL EXPENDITURES	<u>774,293</u>	<u>228,821</u>	<u>1,003,114</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	<u>(74,928)</u>	<u>62,506</u>	<u>(12,422)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>GENERAL</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	33,516	42,930	76,446
Operating transfers out	<u>-</u>	<u>(34,500)</u>	<u>(34,500)</u>
TOTAL OTHER FINANCING SOURCES	33,516	8,430	41,946
 EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	 <u>(41,412)</u>	 <u>70,936</u>	 <u>29,524</u>
 FUND BALANCE - BEGINNING	 365,710	 581,675	 947,385
 PRIOR PERIOD ADJUSTMENT		19,706	19,706
 FUND BALANCE - ENDING	 <u>\$ 324,298</u>	 <u>\$ 672,315</u>	 <u>\$ 996,613</u>

VILLAGE OF CASEVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007**

Net change in fund balances - governmental funds	\$ 29,524
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Amounts reported for governmental activities in the statement of net activities are different because:

Governmental funds report capital outlay as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 14,854	
Depreciation expense	<u>(23,323)</u>	(8,469)

Long-term accrued compensated absences are treated as an expense in the statement of activities.	1,943
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The net revenue of certain activities of internal service fund is reported with governmental activities.	18,932
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Payment of long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities.	50,000
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Change in net assets - governmental activities	<u>\$ 91,930</u>
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VILLAGE OF CASEVILLE, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
FEBRUARY 28, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	SEWER	WATER	TOTALS	
ASSETS				
CURRENT ASSETS:				
Cash		\$ 757	\$ 757	
Investments	\$ 59,293		59,293	\$ 279,965
Accounts receivable	42,991	374,555	417,545	
Taxes receivable	2,422	-	2,422	
Inventory	6,645	31,732	38,377	
TOTAL CURRENT ASSETS	111,351	407,043	518,395	279,965
RESTRICTED ASSETS:				
Investments	200,797	115,500	316,297	
Special assessments receivable	311,716		311,716	
TOTAL RESTRICTED ASSETS	512,513	115,500	628,013	
CAPITAL ASSETS				
Sewer system	7,097,127		7,097,127	
Water system		7,555,635	7,555,635	
Equipment				572,603
TOTAL CAPITAL ASSETS	7,097,127	7,555,635	14,652,763	572,603
LESS: ACCUMULATED DEPRECIATION	(1,924,557)	(2,035,291)	(3,959,848)	(377,840)
CAPITAL ASSETS - NET	5,172,570	5,520,344	10,692,915	194,763
OTHER ASSETS				
Bond issue costs (net of amortization)		26,252	26,252	
TOTAL ASSETS	5,796,435	6,069,140	11,865,574	474,728
LIABILITIES				
CURRENT LIABILITIES:				
Bank overdraft		40,783	40,783	
Due to other funds		2,205	2,205	
Accounts payable	985	65,671	66,656	819
Accrued interest	58,250	21,721	79,971	
Accrued wages and payroll taxes	874	7,081	7,955	782
Lease payable	28,318		28,318	
Maturing bonds payable	65,000	77,000	142,000	
TOTAL CURRENT LIABILITIES	153,427	214,461	367,887	1,601
NONCURRENT LIABILITIES:				
Deferred revenue	311,716		311,716	
Bonds payable	2,330,000	3,903,000	6,233,000	
Less current portion	(65,000)	(77,000)	(142,000)	
TOTAL NONCURRENT LIABILITIES	2,576,716	3,826,000	6,402,716	
TOTAL LIABILITIES	2,730,143	4,040,461	6,770,604	1,601
NET ASSETS				
Invested in capital assets, net of related debt	2,814,253	1,617,344	4,431,598	194,763
Restricted for:				
Debt service	168,000	115,500	283,500	
Capital projects	32,797	27,038	59,835	
Unrestricted	51,243	268,797	320,039	278,364
TOTAL NET ASSETS	\$ 3,066,292	\$ 2,028,679	5,094,971	\$ 473,127
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			13,994	
Net assets of business-type activities			<u>\$ 5,108,965</u>	

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
OPERATING REVENUE:				
Charges for services	\$ 134,019	\$ 738,240	\$ 872,259	\$ 105,440
Penalties	1,327	3,896	5,223	
Miscellaneous		16,744	16,744	-
TOTAL OPERATING REVENUE	<u>135,346</u>	<u>758,880</u>	<u>894,226</u>	<u>105,440</u>
OPERATING EXPENSES:				
Salaries and wages	41,360	185,343	226,703	9,866
Employee benefits	27,328	111,685	139,013	6,449
Administration	15,283	45,850	61,134	
Office supplies		67	67	
Operating supplies	5,245	61,712	66,957	17,333
Lab supplies		15,290	15,290	
Maintenance supplies		4,727	4,727	
Contracted services	2,634	10,654	13,288	
Legal	-	29,847	29,847	
Utilities	8,380	49,331	57,712	4,799
Amortization		673	673	
Depreciation	117,450	161,813	279,263	34,687
Repairs and maintenance	2,041	16,014	18,055	11,091
Insurance	3,915	39,734	43,649	9,193
Equipment rental	13,005	24,367	37,372	
Miscellaneous	2,522	3,924	6,446	
TOTAL OPERATING EXPENSES	<u>239,163</u>	<u>761,032</u>	<u>1,000,195</u>	<u>93,420</u>
OPERATING INCOME (LOSS)	<u>(103,817)</u>	<u>(2,153)</u>	<u>(105,970)</u>	<u>12,022</u>
NONOPERATING REVENUE (EXPENSES):				
Interest income	20,860	7,547	28,407	11,259
Interest expense	(118,000)	(46,279)	(164,279)	
Bad debts		(23,538)	(23,538)	
Reserve replacement		(2,906)	(2,906)	
Service charges - debt	133,324		133,324	
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>36,184</u>	<u>(65,175)</u>	<u>(28,992)</u>	<u>11,259</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	<u>(67,633)</u>	<u>(67,328)</u>	<u>(134,962)</u>	<u>23,281</u>
OTHER FINANCING SOURCES (USES):				
Transfer to other funds	4,610	(43,649)	(39,038)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,610</u>	<u>(43,649)</u>	<u>(39,038)</u>	
CHANGE IN NET ASSETS	<u>(63,024)</u>	<u>(110,977)</u>	<u>(174,002)</u>	<u>23,281</u>
NET ASSETS - BEGINNING	3,129,316	2,139,656		449,846
NET ASSETS - ENDING	<u>\$ 3,066,292</u>	<u>\$ 2,028,679</u>		<u>\$ 473,127</u>

Adjustment to reflect the consolidation of Internal Service Fund
activities related to enterprise funds

4,349

Changes in net assets of business-type activities

\$ (169,653)

VILLAGE OF CASEVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 129,197	\$ 543,052	\$ 672,249	
Receipts from interfund services				\$ 105,440
Payments to suppliers of goods and services	(67,972)	(252,647)	(320,618)	(41,273)
Payments for interfund services	(13,005)	(24,367)	(37,372)	
Payments to employees	(41,360)	(185,343)	(226,703)	(9,866)
Payments for fringe benefits	(27,328)	(111,685)	(139,013)	(6,449)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(20,468)</u>	<u>(30,990)</u>	<u>(51,458)</u>	<u>47,852</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	4,610	(33,685)	(29,076)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>4,610</u>	<u>(33,685)</u>	<u>(29,076)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of assets		(2,814,537)	(2,814,537)	
Service charges - debt	133,324		133,324	
Proceeds from bonds		3,284,000	3,284,000	
Principal paid on bonds	(60,000)	(483,000)	(543,000)	
Interest paid on bonds	(119,500)	(24,558)	(144,058)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,176)</u>	<u>(38,095)</u>	<u>(84,270)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	20,860	7,547	28,407	11,259
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>20,860</u>	<u>7,547</u>	<u>28,407</u>	<u>11,259</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(41,175)</u>	<u>(95,223)</u>	<u>(136,396)</u>	<u>59,111</u>
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	<u>301,265</u>	<u>170,697</u>	<u>471,962</u>	<u>220,854</u>
CASH AND RESTRICTED CASH - END OF THE YEAR	<u>\$ 260,090</u>	<u>\$ 75,474</u>	<u>\$ 335,566</u>	<u>\$ 279,965</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (103,817)	\$ (2,153)	\$ (105,970)	\$ 12,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	117,450	161,813	279,263	34,687
Amortization		673	673	
Bad debts		(23,538)	(23,538)	
Intake reserve, repairs and reserve replacement		(12,870)	(12,870)	
(Increase) decrease in current assets:				
Accounts receivable	(6,662)	(215,828)	(222,490)	
Taxes receivable	513		513	
Inventories	(1,381)	(260)	(1,641)	
Increase (decrease) in current liabilities:				
Accounts payable	(263)	54,092	53,829	361
Accrued wages and payroll taxes	874	7,081	7,955	782
Lease payable	(27,182)		(27,182)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (20,468)</u>	<u>\$ (30,990)</u>	<u>\$ (51,458)</u>	<u>\$ 47,852</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village of Caseville operates a Council-President form of government under provisions of a revised charter and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic — but not the only — criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Caseville Schools. This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Caseville Township/Village Harbor Commission. The Village of Caseville along with Caseville Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appoints three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Reporting Entity: (Continued)

Caseville Historical Society. This potential component unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Included in the reporting entity:

Downtown Development Authority. According to the criteria of the Governmental Accounting Standards Board, the Downtown Development Authority of the Village of Caseville is considered a component unit of the Village of Caseville and the blending method was used to include the component unit in the Village's reporting entity financial statements. The Village appoints the governing authority and also has the authority to approve contracts.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Water Fund** accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following nonmajor fund types:

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Major Street, Local Street, and Police Equipment Fund in special revenue funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Village.

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis. The Equipment Fund rents equipment to other City funds and departments at an hourly rate determined by the State of Michigan.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Utility enterprise funds and the Village's Internal Service fund are charges to customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including demand deposits and brokerage accounts.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at February 28, 2007 consist of property taxes, and billings for user charged services, including trash collections and utility services. Taxes, trash and utility charges are deemed collectible in full.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Village employees are allowed one day per month sick leave, not to exceed 12 days per year, and may accumulate up to a maximum of sixty days. Upon termination of employment, or retirement of an employee, an employee will be paid in full for all earned unused sick days at his/her current rate of pay. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental activities, the liability for compensated absences is classified as long-term in the government-wide financial statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. The Village bills and collects its own property tax. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended February 28, 2007, was \$23,323. Capital asset acquisitions in the governmental funds totaled \$14,854, and there were no dispositions for the year ended February 28, 2007. A summary of Governmental Fund capital assets follows:

	February 28,	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$ 192,677	\$ 192,677
Roads	72,003	72,003
Buildings	433,731	433,731
Vehicles	47,000	47,000
Equipment	71,708	56,854
Internal Service Fund assets	<u>572,603</u>	<u>572,603</u>
Total capital assets	1,389,722	1,374,868
Less accumulated depreciation	<u>(689,591)</u>	<u>(631,580)</u>
NET GOVERNMENTAL CAPITAL ASSETS	\$ <u>700,131</u>	\$ <u>743,288</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 28, 2007 was \$279,263. Capital asset acquisitions in the business-type funds totaled \$3,183,312 for the year ended February 28, 2007, and there were no dispositions. A summary of Business-Type Fund capital assets follows:

	February 28,	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$2,547,940	\$2,547,940
Land improvements	42,637	42,637
Buildings	276,525	276,525
Wastewater pipelines	4,155,635	4,155,635
Equipment	253,781	250,745
Sewer wells and pumphouses	240,818	240,818
Water system	<u>7,135,426</u>	<u>3,955,151</u>
Total capital assets	14,652,763	11,469,451
Less accumulated depreciation	<u>(3,959,848)</u>	<u>(3,680,585)</u>
NET BUSINESS-TYPE FUND CAPITAL ASSETS	\$ <u>10,692,915</u>	\$ <u>7,788,866</u>

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 7,719
Unallocated	<u>15,604</u>
Total depreciation expense – governmental activities	<u>\$23,323</u>
Business-type activities:	
Sewer	\$117,450
Water	<u>161,813</u>
Total depreciation expense – business-type activities	<u>\$279,263</u>

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Prior Period Adjustments:

During the current fiscal year it was discovered that interest on long-term bonds was accrued in the Downtown Development Authority fund in error. The balance of the accrued interest as of February 28, 2006 in the amount of \$19,706 was reversed and added to the Downtown Development Authority's fund balance.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 2 - BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended February 28, 2007, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Administration	\$153,860	\$155,384	\$ 1,524
Police protection	207,364	212,818	5,454
Breakwall area	11,023	11,563	540
Department of Public Works	80,746	92,360	11,615
Public utilities	35,630	35,681	51
Sanitation	63,200	63,285	85
Downtown development authority	65,342	69,021	3,679

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits and investments at February 28, 2007 consist of the following:

		<u>Weighted Average Maturity</u>
Deposits		
Cash in bank		
Checking	\$ 175,554	
Certificates of deposit	1,004,364	
Investments (Market value)		
Money market fund	161,515	.0027*
Federal Home Loan Bank Bond (5.3% interest, due 7/9/09, Rated AAA)	<u>201,128</u>	2.36
Total cash and investments	<u>\$1,542,560</u>	

* .0027 equals one day maturity

The amount of the Village's deposits at February 28, 2007, that were covered by federal depository insurance totaled \$998,564 and \$181,354 were uninsured and uncollateralized.

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Michigan Compiled Laws Section 129.91 authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, or interest rate risk in accordance with GASB Statement 40.

Cash and investments in the amount of \$793,101 have been restricted for the following purposes as of February 28, 2007:

Police forfeiture	\$ 652
Debt retirement – Oxbow dredging bonds	110,482
Capital improvements:	
Local Street improvements	4,031
Beadle Island bridge	5,000
Village hall	1,213
Department of Public Works	8,672
Sidewalks and Parks	54,929
Sewer sludge removal	114,000
Sewer replacement	98,094
Water distribution	25,928
Water equipment	31,577
Water distribution – 2006 Intake	7,701
Water intake repair and replacement	2,262
Equipment fund	1,384
Recreation	10,879
Debt retirement – Sewer bonds	200,797
Debt retirement – Water bonds	<u>115,500</u>
Total restricted cash and investments	<u>\$793,101</u>

VILLAGE OF CASEVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,180	\$ 3,185
Oxbow Debt Service	3,185	
Water Fund		2,205
Downtown Development Authority		975
	<u>\$ 6,365</u>	<u>\$ 6,365</u>

NOTE 5 - PENSION PLAN:

Plan Description: The Village of Caseville participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their annual compensation.

Annual Pension Cost: For the year ended February 28, 2007, the Village's annual pension cost of \$48,956 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 41,321	\$ 46,671	\$ 48,660
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	590,237	686,173	793,201
Actuarial Accrued Liability (entry age)	888,953	1,026,939	1,160,634
Unfunded AAL	298,716	340,766	367,433
Funded ratio	66%	67%	68%
Covered payroll	412,195	452,495	460,781
UAAL as a percentage of covered payroll	72%	75%	80%

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 6 – RISK MANAGEMENT:

General Liability

Village of Caseville is a member in the Michigan Township Participating Plan for the coverage of significant losses due to its general liability. The membership in the plan constitutes transfer of the risk for significant losses to the plan with a coverage limit of \$5.7 million for real and personal property losses and \$5 million for liability losses. Village of Caseville is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation

Village of Caseville purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care

Village of Caseville purchased commercial insurance coverage for its employees and their dependents

NOTE 7 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended February 28, 2007:

	<u>FEBRUARY 28,</u> <u>2006</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>FEBRUARY 28,</u> <u>2007</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Governmental Activities:					
2002 DDA General					
Obligation Bonds	\$ 825,000		\$ 25,000	\$ 800,000	\$ 25,000
2003 Special					
Assessment Bonds	325,000		25,000	300,000	30,000
Business Type Activities:					
USDA Water Intake					
Bonds	407,000	\$2,877,000	31,000	3,253,000	32,000
USDA Sewer					
Revenue Bonds	2,390,000		60,000	2,330,000	65,000
USDA Water Tower					
Bonds	240,000		15,000	225,000	15,000
USDA Water Bonds	455,000		30,000	425,000	30,000
Lease payable	55,500		27,182	28,318	28,318
Totals	<u>\$4,697,500</u>	<u>\$2,877,000</u>	<u>\$213,182</u>	<u>\$7,361,318</u>	<u>\$225,318</u>

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The long-term debt, principal and interest, maturing in the next five years is as follows:

FEBRUARY 28,	2002 DDA GENERAL OBLIGATION BOND	2003 SPECIAL ASSESSMENT BONDS	USDA WATER INTAKE BONDS	USDA SEWER REVENUE BOND	USDA WATER TOWER BOND	USDA WATER REVENUE BOND	LEASE PAYABLE
2008	\$ 62,900	\$ 39,750	\$ 166,186	\$181,500	\$ 26,250	\$55,500	\$ 29,500
2009	86,387	39,150	166,867	178,250	25,500	53,700	
2010	83,363	38,400	166,464	180,000	24,750	51,900	
2011	80,337	32,613	168,020	176,500	29,000	55,100	
2012	77,313	36,925	167,453	178,000	28,000	249,000	
2013-2017	466,113	160,088	839,688	875,500	134,750	134,400	
2018-2022	212,150	15,675	842,363	847,750	31,750		
2023-2027			846,202	830,000			
2028-2032			853,186	479,000			
2033-2037			856,485				
2038-2042			866,017				
2043-2046			696,413				
Total	1,068,563	362,601	6,635,344	3,926,500	300,000	599,600	\$ 29,500
Less interest	(268,563)	(62,601)	(3,382,344)	(1,596,500)	(75,000)	(174,600)	(1,182)
Outstanding principal	\$ 800,000	\$300,000	\$3,253,000	\$2,330,000	\$225,000	\$425,000	\$ 28,318

Details of the Village of Caseville's long-term debt as of February 28, 2007, are as follows:

The Village of Caseville 2002 Downtown Development Bonds, in the amount of \$900,000, were issued August 27, 2002. The bond proceeds, along with a grant of \$500,000 from the Community Development Block Grant funds from the State of Michigan, were issued to construct streetscape improvements in downtown Caseville as well as a boardwalk to the municipal marina. The bonds shall bear interest payable March 1, 2003 and each September 1 and March 1 thereafter until maturity. The bonds final maturity date is September 1, 2018. The interest rates on the bonds are 6.05% through September 1, 2012, and then 4.05% thereafter until maturity. Bond principal payments are due on September 1 of each year in amounts that range from \$25,000 to \$100,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

\$ 800,000

(Continued)

VILLAGE OF CASEVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The Village of Caseville 2003 Special Assessment Bonds (Oxbow Dredging Project) (General Obligation Limited Tax), in the amount of \$395,000, were issued April 16, 2003. The bond proceeds were issued to finance the dredging of a portion of the Pigeon River within the Village of Caseville. The bonds shall be retired with the proceeds from special assessments collected from the village residents that own property along the river where the dredging took place. The bonds shall bear interest payable October 1, 2003 and each April 1 and October 1 thereafter until maturity. The bonds final maturity date is October 1, 2017. The interest rates on the bonds range from 1.0% to 4.5%. Bond principal payments are due on October 1 of each year in amounts that range from \$10,000 to \$30,000. Bonds maturing in the year 2013 and thereafter shall be subject to redemption prior to maturity at the option of the Village, at par, plus accrued interest to the date fixed for redemption.

300,000

The Village of Caseville 2005 Water Intake Bonds, in the amount of \$3,284,000, were issued May 9, 2005 from USDA Rural Development. The bond proceeds were issued to construct a new water intake in the bay. The bonds shall bear interest payable each January 1 and July 1 until maturity. The bonds final maturity date is July 1, 2045. The interest rate on the bonds is 4.125%. Bond principal payments are due on July 1 of each year in amounts that range from \$31,000 to \$168,000.

3,253,000

The Village of Caseville Sanitary Sewage Collection and Treatment System Revenue Bonds, in the amount of \$2,881,000, were issued November 2, 1990. The bond proceeds, along with grants of \$3,335,391 from the Environmental Protection Agency and \$590,000 from the USDA Rural Development, were issued to construct a sanitary sewage collection and treatment system. The bonds shall bear interest payable each March 1 and September 1 until maturity. The bonds final maturity date is September 1, 2029. The interest rate on the bonds is 5%. Bond principal payments are due on September 1 of each year in amounts that range from \$55,000 to \$150,000.

2,330,000

The Village of Caseville Water System Revenue Bonds, in the amount of \$455,000, were issued August 20, 1980. The bond proceeds were issued to construct a water tower, and to improve the water distribution system. The bonds bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 5%. Bond principal payments are due on August 1 of each year in amounts that range from \$15,000 to \$25,000.

225,000

VILLAGE OF CASEVILLE, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007**

NOTE 7 - LONG-TERM DEBT: (CONTINUED)

The Village of Caseville Water Supply and Distribution System Revenue Bonds, in the amount of \$1,210,000, were issued November 30, 1987. The bond proceeds, along with a grant of \$950,000 from the USDA Rural Development, were issued to construct a water treatment facility and lake intake system, plus improve and extend the water distribution system. The bonds shall bear interest payable each February 1 and August 1 until maturity. The bonds final maturity date is August 1, 2018. The interest rate on the bonds is 6%. Bond principal payments are due on August 1 of each year in amounts that range from \$30,000 to \$60,000.

425,000

Capital lease in the amount of \$85,000 dated September 23, 2005 to finance the purchase of aerators for the sanitary sewer lagoons. Lease payments in the amount of \$29,500 commenced on September 23, 2005 and continue until September 23, 2007. The interest rate on the capital lease is 4.176%.

28,318

Total Debt Outstanding

7,361,318

Less: Current Portion of Bonds

(225,318)

Total Long-Term Portion of Bonded Debt

\$ 7,136,000

Total interest incurred by the Enterprise Funds amounted to \$221,475 for the year ended February 28, 2007, of which \$164,279 was charged to expense and \$57,196 was capitalized as part of the cost of the water intake project.

NOTE 8 – CONTINGENT LIABILITIES:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF CASEVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
REVENUE:				
Property taxes	\$ 399,473	\$ 399,473	\$ 409,446	\$ 9,973
Licenses and permits	14,300	14,300	20,829	6,529
Intergovernmental	92,543	92,543	89,349	(3,194)
Charges for services	85,000	85,000	87,766	2,766
Fines and forfeits	3,650	3,650	6,959	3,309
Interest	5,000	5,000	12,558	7,558
Administrative charges	66,784	66,784	65,174	(1,610)
Miscellaneous	2,300	2,300	7,283	4,983
TOTAL REVENUE	<u>669,050</u>	<u>669,050</u>	<u>699,366</u>	<u>30,316</u>
EXPENDITURES:				
Current:				
Village council/president/clerk	58,203	59,671	58,869	803
Elections	250	250	30	220
Administration	153,860	153,860	155,384	(1,524)
Village hall and grounds	32,517	32,517	24,227	8,290
Police protection	178,139	207,364	212,818	(5,454)
Breakwall area	11,023	11,023	11,563	(540)
Department of public works	70,085	80,746	92,360	(11,615)
Water board	1,181	1,181	574	607
Leaf and brush	20,715	31,515	31,252	263
Public utilities	35,000	35,630	35,681	(51)
Sanitation	63,000	63,200	63,285	(85)
Recreation	13,644	13,644	7,560	6,084
Planning commission	5,415	5,415	4,418	997
Zoning board of appeals	9,309	9,309	7,252	2,057
Downtown development authority	65,342	65,342	69,021	(3,679)
TOTAL EXPENDITURES	<u>717,682</u>	<u>770,666</u>	<u>774,293</u>	<u>(3,627)</u>
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	<u>(48,632)</u>	<u>(101,616)</u>	<u>(74,928)</u>	<u>26,689</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	37,491	68,633	33,516	(35,117)
Operating transfers out	-	(20,000)	-	20,000
TOTAL OTHER FINANCING SOURCES	<u>37,491</u>	<u>48,633</u>	<u>33,516</u>	<u>(15,117)</u>
EXCESS OF REVENUE AND OTHER SOURCES				
(UNDER) EXPENDITURES AND				
OTHER (USES)	<u>(11,141)</u>	<u>(52,983)</u>	<u>(41,412)</u>	<u>11,571</u>
FUND BALANCE - BEGINNING	<u>365,710</u>	<u>365,710</u>	<u>365,710</u>	
FUND BALANCE - ENDING	<u>\$ 354,569</u>	<u>\$ 312,727</u>	<u>\$ 324,298</u>	<u>\$ 11,571</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF CASEVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FEBRUARY 28, 2007

	SPECIAL REVENUE					OXBOW DEBT SERVICE	CAPITAL PROJECTS	TOTAL
	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY				
ASSETS								
CURRENT ASSETS:								
Cash	\$ 25,273	\$ 8,465	\$ 20,845	\$ 13,376				\$ 13,376
Investments				67,864				122,447
Due from other funds					\$ 3,185			3,185
Taxes receivable				40,456				40,456
Prepaid interest				18,950				18,950
TOTAL CURRENT ASSETS	<u>25,273</u>	<u>8,465</u>	<u>20,845</u>	<u>140,646</u>	<u>3,185</u>			<u>198,414</u>
RESTRICTED ASSETS:								
Investments			652			110,482	\$ 365,670	476,804
Special assessment receivable						209,382		209,382
TOTAL RESTRICTED ASSETS						<u>319,864</u>	<u>365,670</u>	<u>686,186</u>
TOTAL ASSETS	<u>\$ 25,273</u>	<u>\$ 8,465</u>	<u>\$ 21,497</u>	<u>\$ 140,646</u>		<u>\$ 323,049</u>	<u>\$ 365,670</u>	<u>\$ 884,600</u>
LIABILITIES								
Accrued wages and payroll taxes	\$ 1,291	\$ 607						\$ 1,898
Accounts payable		28						28
Deferred revenue						\$ 209,382		209,382
Due to other funds								976
TOTAL LIABILITIES	<u>1,291</u>	<u>635</u>				<u>209,382</u>		<u>212,284</u>
FUND BALANCE								
Reserved for debt service						110,482		110,482
Reserved for capital projects							\$ 365,670	365,670
Reserved for police forfeiture								652
Unreserved	23,982	\$ 7,830	\$ 652					195,511
TOTAL FUND BALANCE	<u>23,982</u>	<u>7,830</u>	<u>21,497</u>	<u>139,670</u>		<u>113,667</u>	<u>365,670</u>	<u>672,315</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,273</u>	<u>\$ 8,465</u>	<u>\$ 21,497</u>	<u>\$ 140,646</u>		<u>\$ 323,049</u>	<u>\$ 365,670</u>	<u>\$ 884,600</u>

VILLAGE OF CASEVILLE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2007

	SPECIAL REVENUE					OXBOW DEBT SERVICE	CAPITAL PROJECTS	TOTAL
	MAJOR STREET	LOCAL STREET	POLICE EQUIPMENT	DOWNTOWN DEVELOPMENT AUTHORITY				
REVENUE:								
Property taxes				\$ 12,759				\$ 12,759
Current TIFA payments				102,864				102,864
Special assessments						\$ 19,232		19,232
Intergovernmental								110,670
Interest			\$ 911	11,303		14,640		30,022
Miscellaneous			9,111					15,779
TOTAL REVENUE	\$ 77,136	\$ 33,534						
	1,582	1,587	\$ 911					
		6,668	9,111					
	78,719	41,789	10,021	126,926		33,872		291,327
EXPENDITURES:								
Administration	2,020	2,020						4,040
Police protection			3,123					3,123
Construction		1,375						1,375
Routine maintenance	35,531	35,551						71,081
Winter maintenance	5,301	2,985						8,286
Trunkline maintenance	25,362							25,362
Downtown Development Authority				15,984		35,156		15,984
Principal and interest payments				64,413		35,156		99,569
TOTAL EXPENDITURES	68,214	41,931	3,123	80,396				228,821
	10,505	(142)	6,897	46,530		(1,284)		62,506
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES								
OTHER FINANCING SOURCES (USES):								
Operating transfers in							\$ 42,930	42,930
Operating transfers out		(5,000)					(29,500)	(34,500)
TOTAL OTHER FINANCING SOURCES (USES)							13,430	8,430
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	10,505	(5,142)	6,897	46,530		(1,284)	13,430	70,936
FUND BALANCE - BEGINNING OF YEAR	13,477	12,972	14,600	73,434		114,952	352,240	581,675
PRIOR PERIOD ADJUSTMENT				19,706				19,706
FUND BALANCE - END OF YEAR	\$ 23,982	\$ 7,830	\$ 21,497	\$ 139,670		\$ 113,667	\$ 365,670	\$ 672,315

VILLAGE OF CASEVILLE, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 46,000	\$ 46,000	\$ 47,445	\$ 1,445
M-25 maintenance	11,000	11,000	9,228	(1,772)
County road tax	<u>20,464</u>	<u>20,464</u>	<u>20,464</u>	<u>-</u>
Total intergovernmental	77,464	77,464	77,136	(328)
Interest	<u>100</u>	<u>100</u>	<u>1,582</u>	<u>1,482</u>
TOTAL REVENUE	<u>77,564</u>	<u>77,564</u>	<u>78,719</u>	<u>1,155</u>
EXPENDITURES:				
Administration	2,020	2,020	2,020	
Routine maintenance	37,563	38,070	35,531	2,539
Winter maintenance	12,000	12,000	5,301	6,699
Trunkline maintenance	<u>27,733</u>	<u>27,733</u>	<u>25,362</u>	<u>2,371</u>
TOTAL EXPENDITURES	<u>79,316</u>	<u>79,823</u>	<u>68,214</u>	<u>11,608</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,752)</u>	<u>(2,259)</u>	<u>10,505</u>	<u>12,763</u>
OTHER FINANCING SOURCES:				
Operating transfers in		1,752	-	(1,752)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(1,752)</u>	<u>(507)</u>	<u>10,505</u>	<u>11,011</u>
FUND BALANCE - BEGINNING OF YEAR	13,477	13,477	13,477	
FUND BALANCE - END OF YEAR	<u>\$ 11,725</u>	<u>\$ 12,970</u>	<u>\$ 23,982</u>	<u>\$ 11,011</u>

VILLAGE OF CASEVILLE, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 25,000	\$ 25,000	\$ 24,668	\$ (332)
County road tax	5,394	5,394	8,866	3,472
Total intergovernmental	30,394	30,394	33,534	3,140
Telecommunications maintenance	3,500	3,500	3,256	(244)
Miscellaneous			3,413	
Interest	1,000	1,000	1,587	587
TOTAL REVENUE	<u>34,894</u>	<u>34,894</u>	<u>41,789</u>	<u>6,895</u>
EXPENDITURES:				
Construction	43,000	43,000	1,375	41,625
Administration	2,020	2,020	2,020	
Routine Maintenance	42,060	42,060	35,551	6,509
Winter Maintenance	9,000	9,000	2,985	6,015
TOTAL EXPENDITURES	<u>96,080</u>	<u>96,080</u>	<u>41,931</u>	<u>54,149</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(61,186)</u>	<u>(61,186)</u>	<u>(142)</u>	<u>61,044</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	61,186	61,186	(5,000)	(66,186)
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>(5,142)</u>	<u>(5,142)</u>
FUND BALANCE - BEGINNING OF YEAR	12,972	12,972	12,972	
FUND BALANCE - END OF YEAR	<u>\$ 12,972</u>	<u>\$ 12,972</u>	<u>\$ 7,830</u>	<u>\$ (5,142)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**POLICE EQUIPMENT FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE				
Interest	\$ 200	\$ 200	\$ 911	\$ 711
Fees and restitution	<u>6,500</u>	<u>6,500</u>	<u>9,111</u>	<u>2,611</u>
TOTAL REVENUE	6,700	6,700	10,021	3,321
EXPENDITURES:				
Police protection	5,800	5,800	3,123	2,677
EXCESS OF REVENUE OVER EXPENDITURES	<u>900</u>	<u>900</u>	<u>6,897</u>	<u>5,997</u>
FUND BALANCE - BEGINNING OF YEAR	14,600	14,600	14,600	
FUND BALANCE - END OF YEAR	<u>\$ 15,500</u>	<u>\$ 15,500</u>	<u>\$ 21,497</u>	<u>\$ 5,997</u>

VILLAGE OF CASEVILLE, MICHIGAN

**DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Property taxes	\$ 12,718	\$ 12,718	\$ 12,759	\$ 41
Current TIFA payments	86,574	86,574	102,864	16,290
Interest and donations	<u>725</u>	<u>725</u>	<u>11,303</u>	<u>10,578</u>
TOTAL REVENUE	<u>100,017</u>	<u>100,017</u>	<u>126,926</u>	<u>26,909</u>
EXPENDITURES:				
Other	3,350	28,350	15,984	12,366
Bond principal	25,000	25,000	25,000	-
Bond interest	<u>39,413</u>	<u>39,413</u>	<u>39,413</u>	<u>-</u>
TOTAL EXPENDITURES	<u>67,763</u>	<u>92,763</u>	<u>80,396</u>	<u>12,366</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>32,255</u>	<u>7,255</u>	<u>46,530</u>	<u>39,276</u>
FUND BALANCE - BEGINNING OF YEAR	73,434	73,434	73,434	
PRIOR PERIOD ADJUSTMENT	19,706	19,706	19,706	
FUND BALANCE - END OF YEAR	<u>\$ 125,395</u>	<u>\$ 100,395</u>	<u>\$ 139,670</u>	<u>\$ 39,276</u>

VILLAGE OF CASEVILLE, MICHIGAN

**SEWER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 129,410	\$ 134,019	\$ 4,609
Penalties	1,000	1,327	327
TOTAL OPERATING REVENUE	<u>130,410</u>	<u>135,346</u>	<u>4,936</u>
OPERATING EXPENSES:			
Salaries and wages	41,034	41,360	(326)
Employee benefits	28,063	27,328	735
Administration	15,386	15,283	103
Operating supplies	38,700	5,245	33,455
Contracted services	4,200	2,634	1,566
Utilities	7,650	8,380	(730)
Depreciation	-	117,450	(117,450)
Repairs and maintenance	7,500	2,041	5,459
Insurance	3,180	3,915	(735)
Equipment rental	11,000	13,005	(2,005)
Miscellaneous	2,500	2,522	(22)
TOTAL OPERATING EXPENSES	<u>159,213</u>	<u>239,163</u>	<u>(79,950)</u>
OPERATING (LOSS)	<u>(28,803)</u>	<u>(103,817)</u>	<u>(75,014)</u>
NONOPERATING REVENUE (EXPENSES):			
Interest income	15,000	20,860	5,860
Interest expense - long-term debt	(119,500)	(118,000)	1,500
Local source fund balance	38,460		(38,460)
Principal payments	(60,000)		60,000
Service charges - debt	139,000	133,324	(5,676)
TOTAL NONOPERATING REVENUE	<u>12,960</u>	<u>36,184</u>	<u>23,224</u>
(LOSS) BEFORE OTHER FINANCING SOURCE	<u>(15,843)</u>	<u>(67,633)</u>	<u>(51,790)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**SEWER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCE:			
Transfer from other funds	<u>13,843</u>	<u>4,610</u>	<u>(9,234)</u>
TOTAL OTHER FINANCING SOURCE	<u>13,843</u>	<u>4,610</u>	<u>(9,234)</u>
CHANGE IN NET ASSETS	<u>(2,000)</u>	<u>(63,024)</u>	<u>(61,024)</u>
NET ASSETS - BEGINNING	3,129,316	3,129,316	
NET ASSETS - ENDING	<u>\$3,127,316</u>	<u>\$3,066,292</u>	<u>\$ (61,024)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**WATER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 866,500	\$ 738,240	\$ (128,260)
Penalties	1,200	3,896	2,696
Miscellaneous	200	16,744	16,544
TOTAL OPERATING REVENUE	<u>867,900</u>	<u>758,880</u>	<u>(109,021)</u>
OPERATING EXPENSES:			
Salaries and wages	186,176	185,343	833
Employee benefits	117,555	111,685	5,870
Administration	46,158	45,850	308
Office supplies	200	67	133
Operating supplies	52,650	61,712	(9,062)
Lab supplies	12,000	15,290	(3,290)
Maintenance supplies	10,000	4,727	5,273
Contracted services	13,450	10,654	2,796
Legal	32,725	29,847	2,878
Utilities	43,800	49,331	(5,531)
Amortization	-	673	(673)
Depreciation	-	161,813	(161,813)
Repairs and maintenance	3,147,843	16,014	3,131,829
Insurance	31,268	39,734	(8,466)
Equipment rental	20,000	24,367	(4,367)
Miscellaneous	2,800	3,924	(1,124)
TOTAL OPERATING EXPENSES	<u>3,716,625</u>	<u>761,032</u>	<u>2,955,592</u>
OPERATING (LOSS)	<u>(2,848,725)</u>	<u>(2,153)</u>	<u>2,846,572</u>
NONOPERATING REVENUE (EXPENSES):			
Interest income	3,500	7,547	4,047
Interest expense	(253,265)	(46,279)	206,986
Bad debts	-	(23,538)	(23,538)
Bond and grant proceeds	3,284,000	-	(3,284,000)
Reserve replacement	(2,906)	(2,906)	-
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>3,031,329</u>	<u>(65,175)</u>	<u>(3,096,505)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**WATER FUND
SCHEDULE OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INCOME (LOSS) BEFORE OTHER FINANCING (USES)	<u>182,604</u>	<u>(67,328)</u>	<u>(249,933)</u>
OTHER FINANCING (USES):			
Transfer to other funds	<u>(60,407)</u>	<u>(43,649)</u>	<u>16,758</u>
TOTAL OTHER FINANCING (USES)	<u>(60,407)</u>	<u>(43,649)</u>	<u>16,758</u>
CHANGE IN NET ASSETS	<u>122,197</u>	<u>(110,977)</u>	<u>(233,175)</u>
NET ASSETS - BEGINNING	2,139,656	2,139,656	
NET ASSETS - ENDING	<u>\$ 2,261,853</u>	<u>\$ 2,028,679</u>	<u>\$ (233,175)</u>

VILLAGE OF CASEVILLE, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2007**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 3,121,559

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal loan activity of the Village of Caseville, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Caseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caseville, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Caseville, Michigan's basic financial statements and have issued our report thereon dated August 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Caseville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Caseville, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Caseville, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Caseville, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Caseville, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Caseville, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Caseville, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

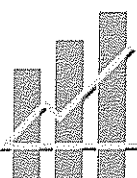
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Caseville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 8, 2007



Nietzke & Faupel, PC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Village Council
Village of Caseville, Michigan

Compliance

We have audited the compliance of the Village of Caseville, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2007. The Village of Caseville, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Caseville, Michigan's management. Our responsibility is to express an opinion on the Village of Caseville, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Caseville, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Caseville, Michigan's compliance with those requirements.

In our opinion, the Village of Caseville, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2007.

Internal Control Over Compliance

The management of the Village of Caseville, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Caseville, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues, such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 8, 2007

VILLAGE OF CASEVILLE, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED FEBRUARY 28, 2007

There were no findings or questioned costs for the year ended February 28, 2006.

VILLAGE OF CASEVILLE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 28, 2007

A. SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Caseville, Michigan.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of the Village of Caseville, Michigan, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies were disclosed regarding internal control over major federal award program compliance in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the major federal award programs for the Village of Caseville, Michigan expresses an unqualified opinion on all major federal programs.
6. The auditor's report disclosed no instances of findings relative to the major federal award programs for the Village of Caseville, Michigan.
7. The programs tested as major programs included:

Water and Waste Disposal Systems for Rural Communities	10.760
--	--------
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Village of Caseville, Michigan did not qualify as a low risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

1. There were no findings related to the financial statements audit for the year ended February 28, 2007.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs related to the major federal award programs audit for the year ended February 28, 2007.